

**TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE**



**FISCAL NOTE**

**HB 504 - SB 533**

March 16, 2017

**SUMMARY OF BILL:** Requires owners of property that is used as an intermediate care facility (ICF) for individuals with intellectual disabilities (IID) and is exempt from local property taxes to agree to make payments in lieu of tax (PILOT) to the local taxing jurisdictions in which the facilities are located. If no agreement is reached, requires PILOT to be no less than 25 percent of the amount of the taxes that would be due if the property were not exempt.

**ESTIMATED FISCAL IMPACT:**

**Increase State Expenditures – \$58,200**

**Increase Federal Expenditures - \$111,000**

**Increase Local Revenue - Exceeds \$215,800**

**Assumptions:**

- Based on information provided by the Bureau of TennCare (Bureau), a total of 726 Medicaid-funded beds are located in 108 facilities that are exempt from paying property taxes.
- Based on information provided by the Bureau, the Bureau currently pays an average of \$932.38 in local property taxes per bed to facilities required to remit such taxes. This analysis assumes this tax average is constant for all facilities across the state.
- The total potential property taxes that would be due from the Bureau without an exemption is estimated to be \$676,908 ( $\$932.38 \times 726$  beds).
- This analysis assumes ICFs will be responsible for paying PILOT in the amount of 25 percent of the property taxes that would be due without an exemption.
- The total recurring increase in expenditures through the Bureau is estimated to be \$169,227 ( $\$676,908 \times 25.0\%$ ).
- Medicaid expenditures receive matching funds at a rate of 65.605 percent federal funds to 34.395 percent state funds.
- The recurring increase in state expenditures resulting from requiring ICF facilities for IID remitting PILOT to the local taxing jurisdiction is estimated to be \$58,206 ( $\$169,227 \times 34.395\%$ ).
- The recurring increase in federal expenditures is estimated to be \$111,021 ( $\$169,227 \times 65.605\%$ ).

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- It is estimated that at least 200 privately-insured beds located in facilities across the state will have rates increased by an amount estimated to be \$932.38 per bed by the ICF/IID facility responsible for paying PILOT.
- The total recurring increase in local revenue resulting from PILOT for privately-insured beds is estimated to exceed \$46,619 (200 beds x \$932.38 per bed x 25.0%).
- The total recurring increase in local revenue resulting from all PILOT payment resulting from this legislation is estimated to exceed \$215,846 (\$169,227 + \$46,619).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in blue ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/amj